



Millennium Challenge Corporation

Reducing Poverty Through Growth

Two years ago in Monterrey, Mexico, President Bush called for a “new compact for global development”, which links greater contributions from developed nations to greater responsibility from developing nations. The President proposed a concrete mechanism to implement this compact -- the Millennium Challenge Account (MCA) – in which development assistance would be provided to those countries that rule justly, invest in their people, and encourage economic freedom. With strong bipartisan support, Congress authorized the Millennium Challenge Corporation (MCC) to administer the MCA and provided \$1 billion in initial funding for FY04. President Bush has pledged to increase funding for the MCA to \$5 billion a year starting in FY06, roughly a 50% increase over current U.S. core development assistance.

The MCA draws on lessons learned about development over the past 50 years:

- 1) Aid is most effective when it reinforces sound political, economic and social policies – which are key to encouraging the inflows of private capital and increased trade – the real engines of economic growth;
- 2) Development plans supported by a broad range of stakeholders, and for which countries have primary responsibility, engender country ownership and are more likely to succeed;
- 3) Integrating monitoring and evaluation into the design of activities boosts effectiveness, accountability, and the transparency with which taxpayer resources are used.

“President Bush's Millennium Challenge Account initiative is a challenge to America to use our great power for good, and a challenge to developing nations to empower their people to build a better future. It reflects America at our best: generous and pragmatic, compassionate and focused on results.”

-- Secretary of State Colin Powell,
Chairman of the Board of The Millennium
Challenge Corporation

Key MCA Principles

- **Economic Growth:** The MCC will focus specifically on promoting sustained economic growth through investments in areas such as agriculture, education, private sector development, and capacity building.
- **Reward Performance:** Using objective indicators, countries will be selected to receive assistance based on their performance in governing justly, investing their citizens, and encouraging economic freedom.
- **Genuine Partnership:** Working closely with the MCC, countries that receive MCA assistance will be responsible for identifying the greatest barriers to their own development, ensuring civil society participation, and developing an MCA program.
- **Focus on Results:** MCA assistance will go to those countries that have developed well-designed programs with clear objectives, measure baseline data and provide for an objective evaluation of results.
- **Operating Approach:** MCA participation will require a high-level commitment from the host government. Each country will be required to enter into a public agreement with the MCC that includes a multi-year plan for achieving shared development objectives and the responsibilities of each country in achieving those objectives, regular benchmarks to measure progress, a multi-year financial plan, and a plan to ensure fiscal accountability for the use of MCA assistance. Programs and shared efforts will be designed to enable progress to be sustained after the funding under the MCA Compact has ended.

Administration

The MCA will be administered by the MCC, a new government corporation designed to support innovative strategies and to ensure accountability for measurable results.

- The MCC will be managed by a Chief Executive Officer appointed by the President and confirmed by the Senate and overseen by a Board of Directors composed of the Secretary of State, the Secretary of Treasury, the U.S. Trade Representative, the Administrator of USAID, the CEO of the MCC and four members to be appointed by the President with the advice and consent of the Senate. The Secretary of State will be the Chairman of the Board.
- The corporation will be designed to make maximum use of flexible authorities to optimize efficiency in contracting, program implementation, and personnel.

Recent Events & Next Steps

- January 23, 2004: President Bush signed the law creating the MCC, authorizing it to administer the MCA and providing \$1 billion in initial funding for FY04.
- February 2, 2004: The Board of the MCC, acting quickly to get the MCC operational, will meet for the first time and consider the appointment of an interim CEO, review the proposed MCC bylaws, and approve a list of countries¹ that will be candidates for participation in the MCA in FY04.
- Early March 2004: The MCC will send to Congress a report describing the criteria and the methodology by which eligible countries will be selected from the list of candidate countries. (There will be a public comment period for 30 days following the submission of the report to Congress.)
- Early May 2004: The MCC Board will meet to select eligible countries who will be invited to develop a proposal to receive MCA assistance.

¹ Candidate countries in FY04 are those countries that have a per capita income under \$1415 per year, are eligible for assistance from the International Development Association, and are not ineligible to receive United States economic assistance under part I of Foreign Assistance Act of 1961 or any other provision of law.